

Fiscal Note

Fiscal Services Division



SF 366 – Peace Officers Retirement System Disability Benefits (LSB2320SV)
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Fiscal Note Version – New

Description

Senate File 366 relates to the recalculation of an accidental or ordinary disability retirement benefit for a beneficiary under 55 years of age under the Public Safety Peace Officers' Retirement, Accident, and Disability (POR) System.

Background

- Under current law, disability retirees in the POR System under age 55 are permitted total earnings, including disability pension payment and reemployment wages, equal to 1.5 times the current earnable compensation of an active member at the same position on the salary scale as the member's rank held at retirement. If a disability retiree's earnings exceed the limit, the POR System benefits are reduced by the amount the retiree has exceeded the limit or are repaid to the POR Fund by the retiree.
- At age 55, disability retirees are no longer subject to the earnings limit.
- As of February 28, 2015, there are 17 disability retirees under age 55 that may be subject to the retiree earnings limit.
- The following table shows the history of disability retirement benefit repayment amounts at 1.5 times earnable compensation.

Disability Retirement Benefit Repayment Amounts

Calendar Year	Amount Over the Earnings Limit	Number of Retirees Impacted
2010	\$ 28,892	Two
2011	23,706	One
2012	29,912	One
2013	33,542	One
	<u>\$ 116,052</u>	

- As of July 1, 2014, the POR System had an unfunded actuarial liability of \$155.8 million and a funded ratio of 69.80%. There are currently 1,194 members of the POR System, including 578 active members. The average age of an active member is 41.6. The average years of service equal 16.3. The average annual wage of a POR member is \$74,516.

Assumptions

- The example pay of \$76,500 on the following page is 90.0% of the maximum salary for a Special Agent 2 with Step 3 longevity at retirement (15-19 years of service).
- The fiscal impact of this legislation will vary depending on the situation of each eligible retiree.

The impact to the POR System will vary from year to year depending on the number of retirees subject to the change and how much each eligible person earns. The example retiree will be allowed to increase total earnings from \$114,750 to \$191,250, before POR benefits will be reduced or repayments will be required. This is illustrated in the following table.

Comparison for Proposed Increase in Disability Retiree Earnings Limit

	Current Law	Proposed Law
Wages based on active member with same rank as retiree	\$ 76,500	\$ 76,500
Multiplier Per Section 97A.6 (Iowa Code)	1.5	2.5
Benefits and earnings maximum	\$ 114,750	\$ 191,250
Maximum disability retiree earnings (pension and employment)	\$ 114,750	\$ 191,250
Average annual benefit for accidental disability	-45,000	-45,000
Earnings from employment without any reduction to POR benefit	\$ 69,750	\$ 146,250

Fiscal Impact

There is no impact to the State General Fund.

The following table shows the difference between the historic disability retirement benefit repayments at 1.5 times earnable compensation compared to the proposed 2.5 times earnable compensation limit. The difference will result in a reduction of repayments to the POR Fund of approximately \$29,000 per year.

Disability Retirement Benefit Repayment Amounts

Calendar Year	Amount Over the 1.5 Earnings Limit	Number of Retirees Impacted	Amount Over the 2.5 Earnings Limit
2010	\$ 28,892	Two	\$ 0
2011	23,706	One	0
2012	29,912	One	0
2013	33,542	One	0
	<u>\$ 116,052</u>		<u>\$ 0</u>
4-year average	\$ 29,013		

Source

Department of Public Safety

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.